

View from the Front

21st November – 27th November 2016

In the rear view mirror of last week we saw

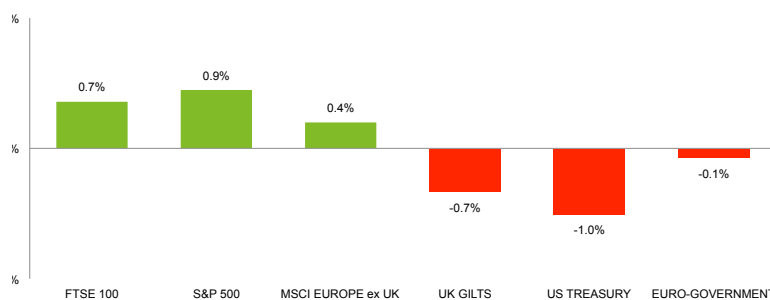
- Last week was less driven by Trump headlines but it is clear that his cabinet is starting to take shape. Significant appointments last week included Reince Priebus as Chief of Staff and Stephen Bannon as Chief Strategist.
- Federal Reserve Chair Janet Yellen's testimony before the Senate's Joint Economic Committee suggested that a December rate hike was on track as the Fed view their dual mandate to maintain stable prices and full employment - as being closer to target.
- Inflation in the UK, as measured by CPI, dipped slightly to 0.9% in the 12 months to October. The annualised figure was expected to be 1.0%. The main downward contributors were clothing and university fees which rose by less than they did a year ago.
- Staying in the UK, the unemployment rate fell to 4.8% in the three months to September from 4.9% in the April to June period. However, this number masks the fact that job growth fell materially over the period to 106k from 174k for the prior period.
- Economic growth in Japan was stronger than expected. When measured by GDP, the country expanded at an annualised 2.2%, far higher than the 0.8% figure that was expected. Much of the bounce was driven by a rebound in exports.
- Conversely the Euro area is showing signs of steady, if unspectacular, growth. The second estimate of annual GDP growth came in at 1.6%. There was further evidence though of weaker domestic inflation in the Euro area as October's annual CPI figure only rose to 0.5%.

Front and centre of our thoughts this week include

- Phillip Hammond presents his first significant view on the state of the UK economy following the June 23rd EU referendum, when The Autumn Statement is released on Wednesday. It is thought the Chancellor will not present any notably large fiscal spending plans, as the government wish to maintain their budgetary discipline at a time of such high uncertainty for the economy.
- The minutes of the latest policy meeting from the Federal Reserve are released, which will provide further insight into how close we are to seeing a rate rise at the December meeting. Whilst much of the talk from the various Fed governors last week favoured a rate rise, the minutes will reveal how divided the Committee are over the next course of action.
- The fourth Thursday in November marks the Thanksgiving holiday in the US, which means a shortened trading week over the pond. This also means being inundated with a plethora of 'Black Friday' shopping deals, which will provide an opportunity to analyse the sales data over the holiday weekend.
- In Europe we see the November flash estimates for the Purchasing Managers Indices (PMIs for short) across the manufacturing and service sectors. The surveys will provide some indication of the economic health of businesses in the Euro Zone.

In the side view mirrors of corporate activity we notice

- Morrisons and Amazon have struck up a partnership that will allow customers to order their groceries at the supermarket through the Amazon Prime service.
- Rolls-Royce were in the headlines last week as they announced accounting changes that would significantly bring down pre-tax profits for this year.
- Finally, legendary investor Warren Buffet has disclosed a \$1.2b stake in the four largest US airlines – an industry that he has previously disparaged for its high competition, large labour costs and volatile fuel prices.



Source: Bloomberg. Figures are for the period 14th November to 18th November 2016. Where the index is in a foreign currency, we have provided the local currency return.

Jordan Sriharan
Senior Investment Analyst

The above charts provide the performance for the three developed market geographies where the TMWM MPS portfolios maintain their largest exposure. **All investments and indexes can go down as well as up. Past performance is not a reliable indicator of future performance.**

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